Moss Bros Group
Interim Results

Moss Bros Group PLC
27 September 2007

MOSS BROS GROUP PLC
Half Yearly Financial Report for the six months to 28 July 2007

HEADLINES

Financial

- Pre-tax loss of £0.8m (Ly: pre tax profit of £0.8m, which includes £0.5m of one-off gains) in line with expectations
- Retail like for like sales up 3.0%
- Gross margin up 40 basis points
- Fixed occupancy costs up 4.3% like for like
- Average cash balance for the six months up £2m with cash balance on 28 July of £10.8m (Ly £10.6m)
- Interim dividend proposed of 0.5p (Ly 0.5p)
- Current trading: like for like retail sales in the first eight weeks of the second half are ahead 0.8% against the comparative period last year; gross margin growth has been maintained

Business Overview

- 2 new stores opened in the first half; 3 further stores to be opened in the second six months
- 25 stores refurbished in the first half yielding good returns
- Positive early reaction to the new Autumn/Winter 07 ranges across all fascia
- Improved stock position, 2% lower than last year

Simon Carter

The Company has entered into a franchise agreement to retail Simon Carter clothes and accessories; the first franchise store has opened in Covent Garden in September.

Commenting on the results, Philip Mountford, Chief Executive, said:

'The business is on track, as we move in to the important second half of the year. Our new supply chain infrastructure is in place and we look forward to maximising the benefits of these initiatives. The refurbishment program is moving forward providing good returns and we continue to open new stores in areas that we have identified as a good fit for the fascias we operate. We are excited about the Simon Carter franchise agreements, and look forward to developing this rapidly growing brand in stand-alone stores.

Following a challenging first quarter and an improved second quarter, we will continue to plan for a demanding environment and run the business tightly. With all this in mind, the outlook for the rest of the year remains in line with expectations.'

For further information please contact:
Moss Bros Group Plc: 0207 447 7200
Philip Mountford, Chief Executive
Michael Hitchcock, Finance Director

Tulchan Communications: 0207 353 4200
Celia Gordon Shute

Half Yearly Financial Report
for the six months to 28 July 2007

This interim management report has been prepared for the sole purpose of providing information to allow the shareholders to assess and form a view as to the Company's strategies and their potential for success. Any other party should not rely upon the interim management report for any purpose.

As well as making reference to the first six months trading and business operations, the interim management report includes statements regarding the future. These statements are made in good faith based on the information available up to the date of this report and should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, which underlie such forward looking information.

Operations

Moss Bros Group Plc retails and hires formalwear and fashion product for men, predominantly in the UK. As well as retailing menswear through the Moss fascia, the Group also trades through the Savoy Taylors Guild and Cecil Gee fascia. The Group hires formal wear under the Moss Bros Hire brand through all these fascias. In addition the Group operates 13 Hugo Boss retail franchises, one Canali retail franchise and one Simon Carter retail franchise.

Strategy

In order to maximise the potential of our business we have made significant steps in modernising our supply chain and sourcing capabilities, which have established a better platform for future profitable growth. This year we are starting to realise the benefits of these investments and have a business which is better equipped to compete in an increasingly difficult environment.

Our investments in both IT and supply chain will allow for improved stock control which should lead to a reduction in unplanned markdown and subsequent improvement in gross margins. Early results are encouraging, with our gross margin currently up 40 basis points. Our new supply chain infrastructure gives us faster lead times on product which allows the business to trade each season more tightly, to give our customers what they want faster.

Our store refurbishment programme continues. During the first half 25 stores were refurbished, taking the total number of refurbished stores in the portfolio to 32 and 2 new stores were opened. The return on investment from this programme is attractive, with average sales uplifts at +6%, and meets our objective to build a solid platform for the future. This program of refurbishment and new store openings will continue.

With a considerable list of sites within the UK and Ireland identified as ideal locations for the Group's fascias, the business is continuing to work on acquisition opportunities that achieve our roll out plans.

Results for the six months ended 28 July 2007
A summary of the key financial results is set out in the table below.

Key financials	Revenue	Underlying Operating Profit/(Loss)* (i)

	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Mainstream	39,237	39,065	4,918	5,862
Fashion	23,699	24,207	577	(200)
Total	62,936	63,272	5,495	5,662

(i) Pre unallocated shops' selling and marketing costs and administrative expenses

	2007 £'000	2006 £'000
Operating profit pre unallocated costs & expenses	5,495	5,662
Unallocated shops selling & marketing costs	(3,943)	(2,688)
Unallocated administrative expenses	(2,505)	(2,799)
Underlying operating (loss)/profit *	(953)	175

* Underlying operating (loss)/profit is profit before interest, tax and one-off items and is reconciled to the financial information as follows:

	2007 £'000	2006 £'000
Operating (loss)/profit per financial information	(1,018)	619
One-off items (primarily property related)	65	(444)
Underlying operating (loss)/profit	(953)	175

Revenue

Total revenue has decreased marginally for the six months to 28 July 2007 compared to the comparative period in 2006. The Group has opened 2 stores and closed 2 stores in the first six months, the latter being strategic decisions that fit with the overall strategy of the business.

Whilst like for like retail sales in mainstream fascias are ahead 0.5%, after a slow first quarter during which we were affected by disruption from the store refurbishment programme, the second quarter showed a marked improvement.

Like for like retail sales are ahead 6.4% in the fashion fascias, with strong gains registered across our fashion portfolio in the half. The continued introduction of fashionable power brands is maintaining Cecil Gee's position as a destination of choice for fashion conscious males, whilst the growing demand for higher priced leading menswear brands continues to grow the Group's branded franchise fascia sales.

Hire continues to see the effects of a contracting wedding market and the introduction of cheap black tie retail offers from the supermarkets. The wedding market has been additionally hit by the atrocious wet weather this summer which resulted in a number of hire cancellations. Moss Bros Hire is by far the leading brand in formal wear hire and strategic actions are in place to ensure the Group takes full advantage of this. Hire is a very important part of our business and we have plans in place to invest in the business in the coming period.

Gross margin and underlying operating profit

Gross margin has improved 40 basis points as a result of smarter sourcing and tighter control of markdown. Terminal stock levels have improved, with levels at their lowest for a number of years, which should lead to lower levels of markdown particularly in the seasonal fashion orientated fascias.

Total operating costs have increased 5.1% with total like for like operating costs up 3.4%.

It is well documented that costs across the sector are rising, particularly in property. We will continue to mitigate these rises through management action as much as possible. The largely fixed operating costs are incurred evenly across the year, whereas the sales are weighted more to the second half of the year.

Underlying operating loss before the impact of one-offs is £1.0m, £1.1m lower than the comparative period in 2006, largely as a result of difficult trading conditions in the first quarter of the financial year.

Dividend

The Board is recommending an interim dividend of 0.50p per share, in line with last year. This will be paid on 22 November 2007 to shareholders on the register at the close of business on 19 October 2007.

Cash

The underlying cash position continued to improve with the average cash balance £2m higher than the comparative period in 2006. The cash balance on 28 July 2007 was £10.8m, £0.2m higher than at the same time in 2006. Management have taken action to ensure a better-managed working capital balance which has been achieved through improved terms with suppliers and more efficient stock buying leading to lower stock levels.

The Group did not have need to take on any debt during the first six months.

Cash flow

Net cash outflow for the six months ended 28 July 2007 was £5.8m, £1.2m better than the comparative period in 2006. Lower trading profit for the Group and the receipt of property compensation last year, was offset by improved working capital management.

Change in asset classification

In keeping with other hire businesses and seeking to show hire inventory as an asset not for resale but for revenue generation, the Group has reclassified hire garments from inventory into fixed assets. All comparatives have been similarly reclassified. There is no impact on operating profit, total assets or net cash flow.

Related party transactions

The Group has no material related party transactions that might reasonably be expected to influence decisions made by users of these financial statements.

Risks and uncertainties

The challenging macro economic environment remains the single biggest risk and uncertainty that could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. Management have sought to mitigate this risk by ensuring that the right product is in the right location at the right time to capture the highest level of sales possible.

Competitor risk

The market place for specialist menswear in both formal and smart casual wear is increasingly competitive. This competition takes the form of price, product offer and customer service. Management have taken a number of key business decisions in the last 18 months to ensure that Moss Bros Group Plc maintains the position of the UK's leading specialist menswear retailer offering an unparalleled branded product offer with exemplary customer service.

Commercial relationships

Sales growth is dependent on the continued supply of fashionable product at regular intervals. The business invests considerable time in identifying and conducting continual due diligence into new and existing suppliers to ensure continuity of product supply and to ensure good commercial rates.

Foreign exchange

The Group's policy is to eliminate all currency exposures on purchases by buying the amount of currency required at the time the obligation is known and holding it in a designated bank account until it is needed. The direct foreign currency risk that the Group is exposed to is negligible.

Future outlook

Trading in the first eight weeks of the second half has been mixed, largely as a result of the effect of unseasonal weather on our Hire business. Like for like retail sales were ahead 0.8% and total Group like for like sales are flat over the same period. Total Group sales are down 3%, the result of planned store closures.

The early response to the new autumn/winter 07 products across all fascias has been very strong. Coupled with the operational changes across the business and no further fiscal tightening in the economy, the outlook for the rest of the year remains in line with expectations.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the 6 months to 28 July 2007

	6 months to 28 July 07 £'000	6 months to 29 July 06 £'000 (Restated)	Year to 27 January 07 £'000 (Restated)
Revenue	62,936	63,272	133,876
Cost of sales	(27,928)	(28,374)	(61,469)
Gross profit	35,008	34,898	72,407
Administrative expenses	(2,570)	(2,199)	(4,518)
Shops' selling and marketing costs	(33,456)	(32,080)	(63,135)
Operating(Loss)/ profit before financing income	(1,018)	619	4,754
Financial income	222	186	354
(Loss)/profit before taxation	(796)	805	5,108

Taxation	239	(241)	(1,468)
(Loss)/profit after taxation	(557)	564	3,640
Basic (loss)/ earnings per share	(0.59)p	0.61p	3.92p
Diluted (loss)/ earnings per share	(0.59)p	0.60p	3.87p

CONDENSED CONSOLIDATED BALANCE SHEET
as at 28 July 2007

	As at 28 July 07 £'000	As at 29 July 06 £'000 (Restated)	As at 27 January 07 £'000 (Restated)
Assets			
Property, plant and equipment	31,267	26,341	28,405
Lease prepayments	2,835	3,115	2,812
Total non-current assets	34,102	29,456	31,217
Inventories	19,092	19,401	19,965
Trade and other receivables	5,486	6,233	7,491
Corporation tax receivable	213	-	213
Cash and cash equivalents	10,840	10,662	16,590
Total current assets	35,631	36,296	44,259
Total assets	69,733	65,752	75,476
Equity			
Issued capital	4,724	4,678	4,678
Share premium account	8,666	8,400	8,400
Retained earnings	38,006	37,672	39,766
Total equity	51,396	50,750	52,844
Liabilities			
Other payables	1,283	1,400	1,337
Deferred tax liabilities	3,454	2,626	3,454
Total non-current liabilities	4,737	4,026	4,791
Trade and other payables	13,600	10,976	17,841
Total current liabilities	13,600	10,976	17,841
Total liabilities	18,337	15,002	22,632
Total equity and liabilities	69,733	65,752	75,476

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
for the 6 months to 28 July 2007

	6 months to 28 July 07	6 months to 29 July 06	Year to 27 January 07

	£'000	£'000 (Restated)	£'000 (Restated)
CASHFLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation	(796)	805	5,108
Adjustments for:			
Profit on sale of non-current assets	-	(443)	(2,189)
Interest received	(222)	(186)	(354)
Depreciation	3,445	3,436	6,160
Equity settled share-based payment transactions	-	87	(211)
Decrease/(increase) in trade and other receivables	2,005	1,077	(181)
Decrease/(increase) in inventories	873	(1,565)	(2,129)
(Decrease)/increase in trade and other payables	(4,039)	(4,624)	2,180
Tax refunded/(paid)	-	25	(587)
Net cash from operating activities	1,266	(1,388)	7,797
CASHFLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets	-	600	2,758
Interest received	222	186	354
Compensation for acquisition of non-current assets	-	1,071	1,027
Acquisition of non-current assets	(6,331)	(6,273)	(11,128)
Net cash from investing activities	(6,109)	(4,416)	(6,989)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of share capital	312	20	20
Purchase of own shares	-	-	(218)
Dividends paid	(1,219)	(1,209)	(1,675)
Net cash from financing activities	(907)	(1,189)	(1,873)
Net decrease in cash and cash equivalents	(5,750)	(6,993)	(1,065)
Cash and cash equivalents at beginning of period	16,590	17,655	17,655
Cash and cash equivalents at end of period	10,840	10,662	16,590

CONDENSED STATEMENT OF RECOGNISED INCOME AND EXPENDITURE
for the 6 months to 28 July 2007

	6 months to 28 July 07 £'000	6 months to 29 July 06 £'000	Year to 27 January 07 £'000

(Loss)/profit for the period attributable to equity holders of the parent	(557)	564	3,640

NOTES TO THE CONDENSED INTERIM RESULTS FOR THE SIX MONTHS TO 28 JULY 2007

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the requirements of IAS 34 'Interim Financial Reporting' as adopted by the EU. The condensed consolidated interim financial statements do not include all of the information required for full financial statements.

The comparative figures prior to the restatement for hire inventory as described in note 2 below are those, which could be extracted from the Company's statutory accounts for the financial year ended 27 January 2007. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. That report of the auditors was unqualified and did not contain statements under section 237(2)or(3) of the Companies Act 1985.

The interim information for the 26 weeks ended 28 July 2007 and 29 July 2006 has not been audited or reviewed by the auditors.

2. Significant accounting policies

Accounting policies adopted have been applied consistently and are consistent with those set out in the accounts for the year ended 27 January 2007.

During the period to 28 July 2007 hire inventory (NBV £4.6m at 28 July 2007: £4.4m at 27 January 2007) was reclassified from Inventories to Fixed Assets. Prior period comparators have been adjusted to reflect this classification.

3. Property transactions

Shops' selling and marketing costs include £nil of gains on disposal of non-current assets during the period (2006: £443,000). In the prior year, the Group received an interim payment of £1,627,000 for the compulsory relocation of the Group's distribution centre. After matching a portion of the £1,627,000 against directly attributable costs incurred in the relocation and recognising in the income statement (so that the net impact on the profit for the period is nil)£1,027,000 is allocated to the property, plant and equipment additional for the new distribution centre.

4. Seasonality

The Group's operations have historically experienced higher revenue during the second half of the financial year. This is primarily due to the Christmas period and post Christmas sale. Accordingly, the results of operations for the interim period are not indicative of the results, which may be expected for the entire financial year.

5. Earnings per share

Basic (loss)/ earnings per ordinary share are based on the weighted average of 93,761,583 (July 2006: 92,992,399; January 2007: 92,895,454) ordinary shares in issue during the period and are calculated by reference to the loss attributable to shareholders of £(557,000) (profit in July 2006: £564,000; January 2007:

£3,640,000). Diluted (loss)/ earnings per ordinary share are based upon the weighted average of 94,211,126 (July 2006: 94,577,467; January 2007: 93,939,019) ordinary shares, which takes into account share options outstanding and are calculated by reference to the loss or profit attributable to shareholders as stated above.

During the period to 28 July 2007, 919,115 ordinary shares were issued resulting from the exercise of options by an ex-employee (nominal value: £46,000).

6. Dividends

The following dividends were paid in the period:

	6 months to 28 July 07 £'000	6 months to 29 July 06 £'000	Year to 29 January 07 £'000
Final dividend 1.30 pence per share (2006: 1.30 pence per share)	1,219	1,209	1,209
Interim dividend 0.50 pence per share	-	-	466
	1,219	1,209	1,675

The Directors have declared a dividend of 0.50 pence per share, totalling £472,000, payable on 22 November 2007.

7. Interim Report

This interim report is available on application from the Company Secretary, Moss Bros Group Plc, 8 St Johns Hill London SW11 1SA.